ALA Convention Coverage

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How exchanges and commissaries are handling environmental concerns

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Military Market Index

COMMISSARIES		AUGUST			YEAR-TO-DATE		
		CY '90	CY '91	% CHANGE	CY '90	CY '91	% CHANGE
ARMY	CONUS	$140,700	$150,000	+6.61	$1,041,600	$1,041,600	+6.06
	OVERSEAS	46,935	48,100	+2.48	366,490	366,870	+1.80
	TOTAL	**187,635**	**198,100**	+5.58	**1,408,470**	**1,408,190**	+4.95
AIR FORCE	CONUS	205,922	217,194	+5.47	1,536,776	1,577,588	+2.66
	OVERSEAS	42,880	45,552	+6.23	326,583	327,159	+0.18
	TOTAL	**248,802**	**262,746**	+5.60	**1,863,359**	**1,904,747**	+2.22
NAVY	CONUS	72,681	76,629	+1.30	604,942	622,127	+2.84
	OVERSEAS	8,062	7,949	-1.40	65,396	69,331	+6.02
	TOTAL	**80,743**	**81,578**	+1.03	**670,338**	**691,458**	+3.15
MARINES CORPS	CONUS	14,191	17,096	+20.47	128,372	130,933	+1.99
	OVERSEAS	248	359	+44.76	2,339	2,555	+9.23
	TOTAL	**14,439**	**17,455**	+20.89	**130,711**	**133,488**	+2.12
COAST GUARD	CONUS	286	279	-3.50	2,462	2,506	+1.79
	OVERSEAS	300	256	-14.67	2,382	2,379	-0.13
	TOTAL	**586**	**532**	-9.22	**4,844**	**4,844**	+0.85
ALL COMMISSARIES	CONUS	$433,780	$458,195	+5.63	$3,314,152	$3,437,854	+3.73
	OVERSEAS	$98,425	$102,216	+3.85	$763,570	$774,914	+1.49
	TOTAL	**$532,205**	**$560,411**	**+5.30**	**$4,077,722**	**$4,212,768**	**+3.31**
GROCERY STORES	*U.S.*[1]	*$29.557bil.*	*$30.649*	*+3.69*	*$224.590bi.*	*$231.620bil.*	*+3.13%*

EXCHANGES		AUGUST			YEAR-TO-DATE		
AAFES	CONUS	$351,545	$361,859	+2.93	$2,626,032	$2,773,115	+5.60
	OVERSEAS	238,986	247,559	+3.59	1,935,498	2,108,413	+8.93
	TOTAL	**590,531**	**609,418**	**+3.20**	**4,561,530**	**4,881,528**	**+7.02**
MAIL ORDER	CONUS[2]	1,206	1,103	+14.11	8,926	12,142	+36.03
	OVERSEAS[2]	2,314	1,718	-38.61	18,715	20,707	+10.64
	TOTAL[3]	**3,520**	**2,821**	**-22.58**	**27,641**	**32,849**	**+18.84**
NAVY	CONUS[4]	100,167	108,345	-0.32	862,595	887,472	+2.88
	OVERSEAS[4]	46,793	47,387	+0.12	385,742	399,491	+3.56
	TOTAL[4]	**146,960**	**155,732**	**-0.19**	**1,248,337**	**1,286,963**	**+3.09**
MARINES CORPS	CONUS	31,470	33,248	+4.99	249,770	255,056	+2.12
	*OVERSEAS	3,843	5,629	+35.75	29,727	41,138	+38.39
	TOTAL[2]	**35,313**	**38,877**	**+8.42**	**279,497**	**296,194**	**+5.97**
COAST GUARD	CONUS[2]	10,003	9,879	-1.24	75,640	77,300	+2.19
	OVERSEAS	747	756	+1.20	5,747	5,909	+2.82
	TOTAL[2]	**10,750**	**10,635**	**-1.07**	**81,387**	**83,209**	**+2.24**
ALL EXCHANGES	CONUS	$509,868	$521,572	+2.30	$3,822,963	$4,005,085	+4.76
	OVERSEAS	$294,370	$303,634	+3.15	$2,375,429	$2,575,658	+8.43
	TOTAL	**$804,238**	**$825,206**	**+2.61**	**$6,198,392**	**$6,580,743**	**+6.17**
DEPARTMENT STORES	***U.S.***[1]	*$14.356bil.*	*$15.126bil.*	*+5.36%*	*$100.332bil.*	*$103.704bil.*	*+3.36%*

Number of transactions: 357,357(Marine Corps Commissaries) 1) Source: U.S. Department of Commerce. 2) MM estimate, based on official data. 3) Includes consolidated sales for all services, including Coast Guard. 4) Does not include sales of ships stores. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume. Distribution of sales by ConUS and overseas is based on definition by respective service and system. Figures do not include sales tax.

Marty Baumann

DeCA's youthful regions reveal unique identities

Although still young, the Defense Commissary Agency's seven regions are already showing signs that they are each a unique entity.

During presentations at the American Logistics Association's annual convention in October, the seven region directors and commanders described many approaches to buying and merchandising products. All were candid about start-up problems.

A top DeCA executive admitted that the directions the regions will take are still not clear. "You're talking about a moving train right now," said DeCA's deputy director, Roy Speight.

Local suppliers will still be able to get their products into commissaries, said Army Col. Ray Ansel of the *Northwest/Pacific Region*. The "local Alaskan honeymaker" can still call on the local commissary officer to sell his or her product. Additions and deletions, Ansel said, "will be driven by customer demand."

Centralized pricing in the Northwest/Pacific Region will begin around May 1992, when the region begins getting its DeCA Interim Business System (DIBS) programs, Ansel said.

Real customer savings from centralized buying won't come until the *Northeast Region* gets centralized pricing, said Tony Collazo, the director.

Collazo's regional buyers are using a number of factors as criteria for deciding when a product will get a display, he said. These include the product's sales potential, its seasonality, activity by a competing item, the value of the VPR, and the vendor's promotional support.

Noting the chaos experienced during the startup period, Collazo said, "We've had a few flesh wounds, but there are no vital hits."

Selection of new items slowed during the *Southern Region's* startup, admitted region director John McGowan. "The door never was closed," he said, "but it wasn't wide open." Now that the new agency is under way, the region will be "more aggressive" about adding new items.

McGowan said the Southern Region's first commodity review will be held during December. His target is to have the first centrally-purchased deals going into Southern commissaries during January; suppliers should present their "very best" deals only.

To date, the *Southwest Region* has been working with three central pricing systems: Navy stores were hosted by a computer in San Diego, Air Force stores worked with a host system at Luke AFB, Ariz., and Marine stores depended on the computer at El Toro, Calif. (Army stores functioned independently.)

"Central item management is the key to running a region-based system," said director Pat Nixon, who predicted that he would have the capability for central pricing by February 1992.

Nixon said that, until his region has centralized buying, commissary officers will continue to negotiate deals on direct store delivery merchandise. They will probably do this until the spring of 1992, he added.

In the *Central Region*, said Cecil Saunders, its director, the goal will be to put an item on the Region Stock List within 10 to 12 working days after presentation.

Saunders said that he has not established a percentage discount to qualify a product for an end-cap or on-shelf display. However, he said that, ultimately, he wants to manage all end-cap displays from the region office.

At the *Midwest Region*, buyers will do biweekly new product reviews on the first and 15th of each month, said region commander Air Force Col. Jim Scott. He noted that his philosophy is that if a commissary doesn't have a product, the customer will go elsewhere, so a lot of emphasis is being put on adding new items.

See REGIONS, page 13

THE SEVEN SHADES OF PURPLE

The Defense Commissary Agency functions on the basis of centralized policies (which emanate from the agency's headquarters) and decentralized operations (which are carried out by the seven regions). This results in variations among the seven regions, some of which are shown on this chart.

Region	Total Stores	Projected Sales/year	No. of RSL Items	Key Items on RSL	New Items Since 6/91	No. of Buyers	Gets DIBS
Central	42	$877 mil.	23,000	8,000	150	6	11/92
Europe	117[1]	$700 mil.	5,333	249	149	4	4/92[2]
Midwest	42	$977 mil.	29,397	3,199	487	8	8/92
NW-Pacific	56	$800 mil.	11,900	3,655	1,000	7	6/92[3]
Northeast	47	$750 mil.	28,500	20[4]	2,298	11	10/91
Southern	54	$1.0 bil.	18,000	4,485	240	8	1992[5]
Southwest	52	$1.1 bil.	20,000	400	223	6	1991[6]

SOURCE: DeCA region offices, as of the middle of November.

[1] Plus 6 Navy location (joint commissary/exchange) stores in the United Kingdom.
[2] All European Region stores to be on line by this date.
[3] In June 1992, the Northwest/Pacific Region gets the DeCA Interim Business System (DIBS) for its ConUS operations. It arrives in ConUS stores beginning in September 1992.
[4] Expansion to come soon.
[5] Month not known, but it may be in February.
[6] Marine Corps stores already use DIBS. The Southwest Region plans to expand DIBS to Navy stores in early January 1992. It will be expanded to Army stores and then to Air Force stores at undetermined times.

House panel favors equalizing MWR benefits

By SORAYA NELSON
Army Times News Service

Funding for morale, welfare and recreation programs should be overhauled to ensure that members are treated more equitably regardless of their service affiliation or duty station, congressional leaders said last month.

The maze of rules now used to finance programs ranging from day care centers to bowling alleys has resulted in vast differences in MWR programs between the services and from base to base.

The Air Force, for example, spends more than twice as much per member ($811 per year) on MWR programs than does the Marine Corps ($335). The Army ($744) and the Navy ($411) fall between the extremes.

"We'd like to have the quality of what the Air Force has," admitted Barbara Pope, the Navy's assistant secretary for manpower and reserve affairs.

In addition to scrubbing its list of remote bases, the Pentagon is reviewing MWR programs in all the services to determine how they should be changed to meet the needs of the restructured force.

That review should be completed in about four months, said Millicent Woods, deputy assistant secretary for personnel, support, families and education.

Appearing Nov. 7 before the House Armed Services Committee's morale, welfare and recreation panel, Pope and other senior defense officials agreed that there are problems with the current system. They said, however, that there is no easy fix to the problem.

But panel chairman Rep. H. Martin Lancaster, D-N.C., warned that if the system is not fixed, congressional support for MWR programs could be threatened.

DOUG PENSINGER

Brig. Gen. James R. Joy (USMC-Ret.) testifies before the House MWR panel. Seated to Joy's left are Colin McMillan, Maj. Gen. Albin Wheeler, and Rear Adm. H. Donald Weatherson.

"The panel is concerned that limited resources are being targeted to specific interest groups depending upon the 'squeaky wheel' method o priority, where single-issue advocacy smothers [the] reality of limited resources for a wide patron base," Lancaster said.

The disparity is also visible from base-to-base within the services, Lancaster said.

Taxpayer "support at the $1.3 billion level is in question," added Rep. David O'B. Martin, R-N.Y., "especially as the need for high levels of recruitment and retention goes away."

Martin added that "support will be completely out of the question if the American people doubt the efficiency, value and integrity of these programs."

Lancaster also called for redesigning the $41 million fund used for MWR programs at bases in remote and isolated areas. The fund uses tax dollars to subsidize MWR programs at bases that cannot sustain the programs through fees and other revenues.

He proposed that each of the services be given lump sums to distribute among remote sites as they see fit, instead of individually funding each base that has the designation.

Some of the bases receiving these additional tax dollars have millions of dollars in the bank from patron funds they have collected over the years, said a congressional aide who asked not to be identified. Others cater largely to civilian personnel. These bases do not need taxpayers' assistance, the aide said.

"There is no question . . . that the present designations [of remote bases] have some deficiencies," said Robert Silberman, principal deputy assistant defense secretary for force management and personnel.

The Defense Department has asked the services to review their listings of remote and isolated bases, Silberman said. More than 200 sites now are considered remote and are eligible for taxpayer MWR support. That number could be cut in half, Silberman said. But there might be additional bases without that designation that should be classified as remote, he added.

Lancaster also suggested that a way to make MWR programs more equitable would be to establish a policy that required a core group of MWR programs — made available servicewide — that would be based on the size of each base.

Silberman cautioned against the blanket policy, saying it would not take into account the differences that might exist between same-sized bases.

"It has some advantages but I also see some risks," he said.

Kim Wincup, the Army assistant secretary for manpower and reserve affairs, agreed, adding that such a policy might be too inflexible during the military drawdown.

"I think it's a good concept . . . but it is a better concept for a time of certainty than today," Wincup said.

"We must have a set of criteria that approves only those bases that are clearly self-evident as tough places to live and work," said Judy Ann Miller, the Air Force's principal deputy assistant secretary for manpower, reserve affairs, installations and environment.

However, additional funding should not be provided as an incentive to bases that are losing money because they do not run their programs properly, Miller added.

REGIONS

(continued from page 12)

East of the Atlantic, said *Europe Region* director Charlie Wiker, "we do not consider ourselves in a declining market, but a hybrid market."

"We will work it smart," said Wiker, referring to the coordination needed to bring the central distribution facility at Germersheim, Germany, on line. Much of the future success of commissaries in Europe, he said, depends on "blowing out the excesses."

Market Report

Cookies & Crackers Sail A True and Steady Course

By Larry Moffi, Managing Editor

The consolidation of the four commissary systems into the Defense Commissary Agency has divided the resale grocery world into seven regions. Each region is like a continent surrounded by an ocean filled with vendors in search of hospitable ports.

But the accessibility of DeCA's seven distinct shorelines seems to depend almost entirely on the wave that manufacturers of cookies and crackers are riding. For every vendor out there shouting "Land Ho!", there's another one crying "Uh-oh!"

A year ago, many cookie and cracker manufacturers hailed the regionalizing of the commissary systems as resale's belated entry into 20th century commerce. At the time, discussion in the industry focused on whether DeCA's regions would mirror A.C. Nielsen's roll-out, marketing and regional structures for civilian accounts in the cookie and cracker category.

In a December 1990 interview with MILITARY MARKET, Dennis O'Connor, East Coast military sales manager for the Keebler Co., voiced this hope, and he wasn't alone in his speculations. But as DeCA's first full quarter of operations draws to a close, O'Connor and others have begun to revise their thinking.

"To date," says O'Connor in a recent phone interview, "there hasn't been any noticeable change [in getting products into the stores] from region to region, primarily because [DeCA's] regionalized buying isn't fully up and running yet.

"Most of the regions have allowed us to work at the store level, so we really haven't felt the strain of the DeCA transition."

AN IDEAL REGIONAL CATEGORY

When DeCA's director, Maj. Gen. John P. Dreska, announced that he wanted to run the new commissary system like a regionalized national grocery chain, suppliers celebrated. Because they are direct store delivered (DSD) and require neither warehousing nor back-up space, cookies and crackers are suited to DeCA's plans. But industry's optimism now seems to have been premature.

One of the most regional categories on civilian supermarket shelves, cookies and crackers are also among the most egalitarian. Regional brands have traditionally enjoyed a profitable share of the market without fear of being crushed by national powerhouses.

Given strong local civilian tastes, many cookie and cracker suppliers felt that regionalization under DeCA would support a marketing approach similar to that in the retail sector. George Hanson, director of military sales for Nabisco Biscuit Co., believes that the military market for cookies and crackers can reflect that of civilian supermarkets to the extent that "people bring their shopping patterns from home, then pick up a little bit of the local tastes."

Lis Akhtarzandi of Military Audits of Market Information (MAMI), is more emphatic. "With DeCA's regionalization," she says, "we've already begun to see 20 percent [12 month] share swings between major brands according to region. It's really more reflective of what happens in the retail market.

"Cookies *are* growing in certain regions," Akhtarzandi reports. This is particularly true in the Southern and Central regions, she says. On the DeCA map, the Central region includes Virginia, North Carolina, Kentucky, Arkansas and Tennessee. In the civilian sector, these are typically considered among the southern states.

Akhtarzandi believes that such regionalized growth — which in the military cookie/cracker category resembles that of the retail market — will result in "more individualized marketing according to the demands of the region" for commissary suppliers.

And that's precisely the problem.

As Keebler's O'Connor points out, "With the geography [being what it is], it's a shame you can't take it down a step farther to look at the specific market. There are many different markets within the DeCA regions."

Regardless of the applicability of Nielsen data, however, O'Connor anticipates an eventual marketing shift from total military promotions to regional military campaigns once DeCA's regionalized buying is totally functional.

IN SEARCH OF THE ELUSIVE PROFILE

The civilian market data O'Connor cites involves analysis of customer profiles. But MAMI, despite its many benefits, does not generate this information — and MAMI data is DeCA gospel.

Randy Barto, national military sales manager for Pepperidge Farm, believes that MAMI data is inappropriate, "given what DeCA is asking us to do."

Because customer loyalty for Pepperidge Farm products is particularly strong in DeCA's Northeast region (the company's market share there is better than 25 percent for both cookies and crackers), it's no surprise that Barto calls herself "a firm believer in customer profiles."

Concerning the military, however, Barto has no choice but to proceed by deduction and her "gut feeling" to determine how much push to give her product in any one region.

She cites Redstone Arsenal, Ala., as an example. "It's a base that represents a scientific field and an educated community. That, and the location is an area where there's a low cost of living," she says. By identifying locations in the civilian sector that exhibit these factors, Barto can begin to intelligently estimate how well her lines will do in the Redstone Arsenal community.

Barto and others feel that such information more than applies in the commissary system. Ultimately, it serves the patron.

But gut feelings and deductions aren't hard numbers, and at least for the first three months under DeCA, Barto

THE DeCA COOKIE & CRACKER COUNT

Cookies and crackers are enjoying good health under DeCA's new ConUS configuration. The annual unit count for cookies for the year ending April 1991 was nearly 27.5 million (up 3.7 percent over the previous 12-month period), with annual dollar volume at $50.5 million (up 6.8 percent). In the cracker category, the annual unit count was 22.5 million (up 3.3 percent over the previous 12-month period); annual dollar volume for crackers was $40.67 million, an increase of 11.2 percent.

Cookie Totals	NORTHEAST	SOUTHERN	SOUTHWEST	MIDWEST	NORTHWEST	CENTRAL
DeCA $ total	17.04%	20.21%	21.33	18.54%	5.12%	17.77%
Unit Change versus '90	+2.42%	+7.06%	+0.21%	+2.62%	0.00%	+7.73%
$ Vol. Change versus '90	+5.17%	+9.11%	+4.93%	+5.91%	+4.70%	+9.67%
Cracker Totals	**NORTHEAST**	**SOUTHERN**	**SOUTHWEST**	**MIDWEST**	**NORTHWEST**	**CENTRAL**
DeCA $ total	17.38%	20.52%	21.26%	17.69%	5.42%	17.72%
Unit Change versus '90	+4.38%	+5.07%	+0.85%	+1.57%	+1.25%	+5.84%
$ Vol. Change versus '90	+12.47%	+12.19%	+9.01%	+9.48%	+10.74%	+13.21%

Unit Measure: lbs. *All figures are for the year ending April 1991.*

Source: MAMI

has had to live with comparative unit sales derived from different DeCA regions. Because Pepperidge Farm is a premium line, Barto feels her product suffers from DeCA's emphasis on unit sales. "They're not figuring on dollars per foot," she says. "Unit movement, that's the real hang-up."

To date, Barto hasn't been able to place her Classic Snack Mix — her No. 2 seller after Cheddar Goldfish — in DeCA's Southern region. Barto hopes that once all DeCA buyers are on board, buyer education by members of the industry will be both possible and welcome. Until then, she says she'll concentrate her marketing efforts in the areas of coupons and demonstration, which are philosophically in line with DeCA's product analysis.

Bill Witke, a division manager for Mother's Cakes and Cookies, sounds a similar, if more alarmed, cry. Based in Oakland, Calif., Mother's has long been a strong regional line, outselling all other brands in Northern California's civilian market. But Witke worries that if DeCA relies solely on unit movement, the agency might ultimately begin to view the separate cookie and cracker segments as a single category, which could put him out of business in the military.

Sources at MAMI, however, say this should not be the case. And Witke, too, acknowledges that DeCA's penchant for direct store delivery in the cookie category will probably be his salvation.

"DSD helps us at the store level," he says, which is as close to the bottom line as a vendor can get. And at least for the foreseeable future, DSD will remain the key to the category throughout all seven DeCA regions.

WHAT IS THIS DeCA BUSINESS, ANYWAY?

Despite the likelihood of Mother's continued regional success, Witke's concerns are real, and may reflect the notion that DeCA will bring about a radical change in the commissary system. One thing Pepperidge Farm's Barto knows for sure: It's not just DeCA's buyers she'll want to educate.

Pepperidge Farm uses many individual franchise bakers nationally, many of whom are befuddled by the DeCA acronym. They know what a commissary is, but what's this DeCA business, anyway?

"Most of them are just having a hard time understanding what DeCA is all about," says Barto. She says the best thing she has done to make DeCA more visible to her regional associates is bringing Charlie Welch, Pepperidge's celebrity baker, to DeCA's Oct. 1 grand opening at Bolling AFB, Md.

In practice, the day-to-day life of the cookie and cracker category hasn't changed much from the way it operated under the four service commissary systems. Nabisco's Hanson voices a representative viewpoint when he notes that DeCA is "still a governmental agency," though it's surprisingly progressive in its thinking.

"Where else can you be involved in PAT [process action] teams?" he asks rhetorically, pointing out that civilian retailers generally don't involve their suppliers in discussions about organizational matters.

"The commissaries are mandated to bring their inventories down," Hanson says. "But as DSD vendors, the transition has had a very mild impact on us — the stuff turns [on the shelf] sufficiently — before they even have to pay for it."

Like Pepperidge Farms' Randy Barto, Nabisco's Hanson notes the need to educate regional and local people. "It's like taking title of a used car. You've still have got to have this fixed and that fixed," says Hanson. "So we're encouraging our people to spend as much time as they can with the new DeCA buyers.

"After all, when you look at the work guys like [DeCA Operations Director] Bob Tate and [Southwest Region chief] Pat Nixon continue to do, you can appreciate the distance DeCA's come." MM